

Message Text

UNCLASSIFIED

PAGE 01 STATE 032403

40

ORIGIN CEA-02

INFO OCT-01 ISO-00 NSC-10 NSCE-00 RSC-01 AS-01 SSO-00 /015 R

DRAFTED BY WHITE HOUSE:G.L. SEEVERS

APPROVED BY S/S-O: P. SARROS

----- 072706

O 161755Z FEB 74

FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

UNCLAS STATE 032403

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: PLS PASS DR. HERBERT STEIN, C/O MR. THOMAS
SUMMERS, FROM G.L. SEEVERS.

1. MONETARY AGGREGATES FOR THE PAST WEEK SHOW BOTH M'S RISING AT A GOOD PACE. DURING PAST THREE MONTHS LITTLE M HAS RISEN AT A 4.8 PERCENT RATE WHILE BIG M HAS BROWN AT A 8.7 PERCENT RATE. SHORT-TERM INTEREST RATES HAVE CRACKED. PRIME IS NOW GENERALLY AT 9 PERCENT. MORE IMPORTANT, COMMERCIAL PAPER RATE AT AROUND 7.75 PROVIDES A LARGE ENOUGH DIFFERENTIAL FOR BUSINESS BORROWING TO BE SWITCHED INTO COMMERCIAL PAPER MARKETS. THIS WILL (PROBABLY) PRODUCE A COUPLE MORE QUICK CUTS IN THE PRIME. SOFTENING DEMAND FOR FUNDS AND EASIER FED POLICY SHOULD HOLD SHORT-TERM RATE ON A DOWNWARD COURSE UNTIL APRIL 1 (PERHAPS APRIL 2). WE HAVE ENOUGH M ALREADY.

2. JANUARY HOUSING STARTS (RELEASE FEB. 19) GAINED MODESTLY. PAST NUMBERS REVISED SLIGHTLY BECAUSE OF UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 032403

REESTIMATION OF SEASONAL FACTORS, BUT THE BASIC PATTERN WAS NOT CHANGED. LAST MONTH STARTS UP 6.1 PERCENT TO ALMOST 1.5 MILLION COMPARED WITH AVERAGE FOURTH

QUARTER RATE OF 1.583 MILLION. THE RISE WAS IN PRIVATE STARTS, AND INCLUDED GAIN IN BOTH SINGLE AND MULTIPLE UNITS. MOREOVER, PERMITS ALSO ROSE 9.5 PERCENT.

GENERAL FEELING HERE IS THAT WE HAVE SEEN THE BOTTOM. MORTGAGE MARKETS IMPROVED SOME ALREADY. DECLINING SHORT INTEREST RATES WILL PRODUCE MORE IMPROVEMENT IN NEXT SEVERAL MONTHS.

QUESTION OF RAPIDITY OF RECOVERY NOT YET ANSWERED. JIM MEIGS ET AL SUGGEST ONLY MODERATE RECOVERY BECAUSE HOUSING DURING 1972 AND EARLY 1973 WAS FAR ABOVE LONG-TERM DEMAND TREND WHICH THEY SUGGEST IN THE NEIGHBORHOOD OF 2 MILLION UNITS. EVEN IF TRUE, HOWEVER, THIS CEILING COULD BE REGAINED BY LATE 1974.

3. JANUARY PERSONAL INCOME FIGURES (RELEASE FEB. 19) SHOW EXPECTED SAG. PERSONAL INCOME DECLINED \$4.1 BILLION. CAN BE ARGUED THAT THE DECLINE SHOULD HAVE BEEN MORE. ENERGY-RELATED DISLOCATIONS ARE NOT BITING VERY DEEP YET.

WAGE AND SALARY DISBURSEMENTS DOWN \$2.7 BILLION. FARM INCOME ALSO OFF BY \$2.8 BILLION (FOR UNKNOWN REASON). INCOME FIGURES CONSISTENT WITH OTHER INDICATORS FOR JANUARY.

4. DRAFT HEALTH MESSAGE RECEIVED AND BEING REVIEWED BY O'NEILL. TO BE SENT TO CONGRESS FEB. 19.

5. CLC RESPONSE TO YOUR MEMO ON ESP EXTENSION: LET'S MEET AND DISCUSS "MISUNDERSTANDINGS" SINCE WE HAVE A COMMON OBJECTIVE.
RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CURRENCY STABILITY, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 16 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE032403
Document Source: CORE
Document Unique ID: 00
Drafter: G.L. SEEVERS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740226/aaaaaynn.tel
Line Count: 94
Locator: TEXT ON-LINE
Office: ORIGIN CEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 08 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 MAR 2002 by elbezejf>; APPROVED <29 NOV 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PLS PASS DR. HERBERT STEIN, C/O MR. THOMAS SUMMERS, FROM G.L. SEEVERS.
TAGS: EFIN, (STEIN, HERBERT)
To: OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005